

E-filing

1      Steven P. Small (SBN 39869)  
 2      2509 Santa Clara Avenue  
 3      Alameda, California 94501  
 4      Telephone: (510) 865-2038  
 5      Facsimile: (510) 523-7877  
 6      E-mail: stevensmall@mac.com

7      Attorney for Plaintiff  
 8      MARK SHEREDY

**FILED**  
 OCT - 1 2008  
 RICHARD W. WIEKING  
 CLERK, U.S. DISTRICT COURT  
 NORTHERN DISTRICT OF CALIFORNIA  
 OAKLAND

Fees  
 Paid  
 ISS.  
 AM

UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

9      MARK SHEREDY,

10     Plaintiff.

11     v.

12     TERRY L. RITTER and MARC VOGEL,

13     Defendants.

No. **C08-04570 AND CW**

COMPLAINT FOR SECURITIES FRAUD  
 UNDER RULE 10-b5 AND STATE AND  
 COMMON LAW CLAIMS

DEMAND FOR JURY TRIAL

15  
 16     Plaintiff Mark Sheredy claims for relief as against Terry L. Ritter and Marc Vogel, and  
 17     alleges:

18     PARTIES

19     1. Plaintiff Mark Sheredy is an individual now residing in Santa Clara County, California.

20     2. Defendant Terry L. Ritter ("RITTER") is an individual now residing in Alameda  
 21     County, California.

22     3. Defendant Marc Vogel ("VOGEL") is an individual now residing in San Francisco  
 23     County, California.

24     4. a) Plaintiff is informed and believes and thereon alleges that each of the  
 25     defendants herein, and at all times relevant to this action, was the agent, the employee, the  
 26     representing partner, or the joint venturer of the remaining defendants and was acting within the  
 27     course and scope of that relationship. Plaintiff is further informed and believes and thereon alleges  
 28     that each of the defendants herein gave consent to, ratified, and authorized the acts alleged herein to

1 each of the remaining defendants. b) Plaintiff further alleges that in doing the acts alleged herein that  
 2 RITTER and VOGEL created and operated a conspiracy between them to cause Plaintiff the injuries  
 3 and losses described below.

4

5 JURISDICTION AND VENUE

6 5. This Court has original jurisdiction over this action as to the first and second claims for  
 7 relief by virtue of Title 15, United States Code Section 77v(a) [Section 22(a) of the Securities Act], on  
 8 account of the federal securities claim, and by virtue of Title 15, United States Code Sections  
 9 78u(d)(3)(A), 78u(e), and 78aa; and Title 28, United States Code Section 1331, and under federal  
 10 question jurisdiction Title 28, United States Code Section 1367(a). This Court has supplemental  
 11 jurisdiction over all other claims for relief set forth herein under Title 28, United States Code Section  
 12 1367(a). In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used  
 13 the means and instrumentalities of interstate commerce, including the mails, airline travel across state  
 14 lines and across the borders of these United States into foreign lands, the mails, and the wires  
 15 (including e-mails and the wiring of funds in the banking system, and telephone communications).

16 6. Venue is proper in the Northern District of California pursuant to Section 22 of the  
 17 Securities Act, Title 15, United States Code Section 77v; and Section 27 of the Exchange Act, Title  
 18 15, United States Code Section 77aa, because San Francisco County, Alameda County and Santa Clara  
 19 Counties are in the Northern District of California and are the counties in which the principal events  
 20 constituting violations of the laws alleged herein took place, and because Alameda County is the  
 21 residence of RITTER, Santa Clara County is the residence of SHEREDY, and because San Francisco  
 22 County is the location of VOGEL.

23 INTRADISTRICT ASSIGNMENT

24 7. Pursuant to Local Rule 3-2(d), this matter is properly assigned to either the San  
 25 Francisco Division or the Oakland Division, as the events principally occurred in Alameda County.

26 BRIEF STATEMENT OF CLAIMS

27 8. During the period May 15<sup>th</sup> to May 30<sup>th</sup> of 2008, Defendants represented to Plaintiff  
 28 that they were authorized to sell shares of stock of ECO-FIBER SOLUTIONS, INC., a California

1 corporation (hereafter "EFS"). In reliance upon Defendants' representations, Plaintiff delivered  
 2 \$120,000 to VOGEL to purchase one share of EFS stock. Instead of delivering the \$120,000 to EFS  
 3 as promised, VOGEL instead delivered the \$120,000 to RITTER, who then converted the funds to  
 4 finance litigation against EFS to perfect Defendants' rights against EFS. Defendants own no stock in  
 5 EFS. Plaintiff's \$120,000 has not been returned to him; nor does Plaintiff own the EFS stock he  
 6 believed he was purchasing.

7 CLAIMS

8 9. Plaintiff is informed, and on the basis of such information and belief, states that on  
 February 21, 2008 RITTER entered into an agreement to invest five million dollars into EFS in  
 10 exchange for 45% ownership of EFS pursuant to a "Memorandum of Understanding" (hereafter  
 11 "MOU") attached hereto as Exhibit "1", and incorporated herein by this reference. The information  
 12 relied upon by Plaintiff to form this belief is a copy of the MOU attached to a pleading filed by  
 13 RITTER in pending litigation entitled RITTER vs SMALL, U.S. District Court, Northern District of  
 14 California, No. 3-08-cv-03074.

15 10. Plaintiff is informed, and on the basis of such information and belief, states that  
 pursuant to the above MOU, RITTER invested \$400,000 in EFS between February 21, 2008 and May  
 16 4, 2008, but no stock was ever issued to RITTER. Further, that EFS paid VOGEL, at the insistence of  
 17 RITTER, \$15,000 in consultation fees, but that no services were ever rendered to EFS by VOGEL.  
 The information relied upon by Plaintiff to form this belief are allegations made by RITTER at  
 19 paragraph 18 and at page 6, line 16 in the complaint filed by RITTER in pending litigation entitled  
 20 RITTER vs SMALL, U.S. District Court, Northern District of California, No. No. 3-08-cv-03074.

22 11. Plaintiff is informed, and on the basis of such information and belief, states that a  
 payment of \$50,000 from RITTER to EFS, received on May 4, 2008, was the last funds paid to EFS  
 23 by RITTER. Further, RITTER retained an attorney to deal with EFS on or about June 3, 2008. The  
 24 information relied upon by Plaintiff to form this belief were allegations made by RITTER at paragraph  
 25 21 in the complaint filed by RITTER in pending litigation entitled RITTER vs SMALL, et. al., U.S.  
 26 District Court, Northern District of California, No. 3-08-cv-03074.  
 27

1       12. Plaintiff's business from time to time acquires retired food preparation machinery.  
 2 Prior to May 15, 2008, Plaintiff and VOGEL had engaged in several business transactions where, from  
 3 time to time, Plaintiff would sell food machinery to VOGEL.

4       13. On or about May 15, 2008, VOGEL approached Plaintiff, first by phone, and then in  
 5 person, to get Plaintiff to invest in EFS.

6           a) At this meeting, VOGEL made the following oral representations:

7              1) EFS was soon to become a very successful, very profitable company based on  
 8 their technology to replace wax boxes;

9              2) EFS was in great and urgent need for investment funds; they were soon to meet  
 10 with PCA, a potential buyer, and there was no time to lose before the door to invest in EFS closed;

11             3) RITTER owned 45% of the stock of EFS and VOGEL owned 15% (or one third  
 12 of Ritter's share) of the stock of the company and would sell 7.5% of his holdings, or one share of EFS  
 13 stock, for \$120,000.00;

14             4) VOGEL would deliver Plaintiff's investment directly to EFS;

15           b) Based on his prior dealings with VOGEL, Plaintiff reasonably relied on VOGEL's  
 16 statements and representations.

17           c) VOGEL's representation that he and Ritter owned stock in EFS was false because stock  
 18 was never issued to them by EFS.

19           d) VOGEL's representation that EFS was to receive the \$120,000 was false because  
 20 VOGEL instead delivered the funds to RITTER, not EFS.

21           e) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 22 receive Plaintiff's investment) were material in that Plaintiff would never have made his \$120,000  
 23 investment if he had known Defendants owned no stock and his funds were to be used to sue EFS  
 24 instead of investing in EFS.

25           f) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 26 receive the investment) directly caused economic loss to Plaintiff because Defendants could not  
 27 transfer stock they did not own; and the funds taken from Plaintiff were not given to EFS, but

1 converted by Defendants' conspiracy to fund their litigation against EFS, which plaintiff knew nothing  
 2 about and which plaintiff would never have approved.

3 g) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 4 receive the investment) were connected to a sale of a security, namely the payment of \$120,000 for  
 5 one share of EFS stock from Defendants to Plaintiff.

6 h) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 7 receive the investment) demonstrate a wrongful state of mind because neither defendant had reason to  
 8 believe he owned EFS stock and the timing of their actions (transfer of funds on 30 May 2008 and  
 9 then an attorney's first letter on June 3, 2008) indicates each knowingly lied to Plaintiff regarding what  
 10 was going to done with Plaintiff's funds.

11  
 12 14. On or about May 17, 2008, Plaintiff gave VOGEL a check in the amount of \$60,000.

13 a) At this meeting, VOGEL made the following oral representation: VOGEL would  
 14 deliver Plaintiff's investment directly to EFS;

15 b) Based on his prior dealings with VOGEL, Plaintiff reasonably relied on VOGEL's  
 16 statements and representations.

17 c) VOGEL's representation that EFS was to receive the \$120,000 was false because  
 18 VOGEL instead delivered the funds to RITTER, not EFS.

19 d) Defendants' misrepresentation that EFS would receive Plaintiff's investment was  
 20 material in that Plaintiff would never have made his \$120,000 investment if he had known his funds  
 21 were to be used to sue EFS instead of investing in EFS.

22 e) Defendants' misrepresentation that EFS would receive the investment directly caused  
 23 economic loss to Plaintiff because the funds taken from Plaintiff were not given to EFS, but instead  
 24 converted by Defendants' conspiracy to fund their litigation against EFS, which plaintiff knew nothing  
 25 about and which plaintiff would never have approved.

26 f) Defendants' misrepresentation that EFS would receive the investment was connected to  
 27 a sale of a security, namely the payment of \$120,000 for one share of EFS stock from Defendants to  
 28 Plaintiff.

1           g) Defendants' misrepresentation that EFS would receive the investment demonstrated a  
 2 wrongful state of mind because the timing of their actions (transfer of funds on 30 May 2008 and  
 3 attorney's first letter on June 3, 2008) indicates each knowingly lied to Plaintiff regarding what was  
 4 going to be done with Plaintiff's funds.

5  
 6       15. On or about May 28, 2008, VOGEL contacted Plaintiff by phone to obtain \$60,000 as  
 7 Plaintiff's second installment to his investment in EFS.

8           a) At said time, , VOGEL repeated the following oral representations:

9           1) EFS was soon to become a very successful, very profitable company based on  
 10 their technology to replace wax boxes;

11           2) EFS was in great and urgent need for investment funds; they were soon to meet  
 12 with PCA, a potential buyer, and there was no time to lose before the door to invest in EFS closed;

13           3) RITTER owned 45% of the stock of EFS and VOGEL owned 15% (or one third  
 14 of Ritter's share) of the stock of the company and would sell 7.5% of his holdings, or one share of EFS  
 15 stock, for \$120,000.00;

16           4) VOGEL would deliver Plaintiff's investment directly to EFS;

17           b) Based on his prior dealings with VOGEL, Plaintiff reasonably relied on VOGEL's  
 18 statements and representations.

19           c) VOGEL's representation that he and Ritter owned stock in EFS was false because stock  
 20 was never issued to them by EFS.

21           d) VOGEL's representation that EFS was to receive the \$120,000 was false because  
 22 VOGEL instead delivered the funds to RITTER, not EFS.

23           e) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 24 receive Plaintiff's investment) were material in that Plaintiff would never had made his \$120,000  
 25 investment if he had known that Defendants owned no stock and his funds were to be used to sue EFS  
 26 instead of investing in EFS.

27           f) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 28 receive the investment) directly caused economic loss to Plaintiff because Defendants could not

1 transfer stock they did not own; and the funds taken from Plaintiff were not given to EFS, but instead  
 2 converted by Defendants' conspiracy to fund their litigation against EFS, which plaintiff knew nothing  
 3 about and which plaintiff would never have approved.

4 g) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 5 receive the investment) were connected to a sale of a security, namely the payment of \$120,000 for  
 6 one share of EFS stock from Defendants to Plaintiff.

7 h) Defendants' misrepresentations (that they owned stock in EFS and that EFS would  
 8 receive the investment) demonstrate a wrongful state of mind because neither defendant had reason to  
 9 believe he owned EFS stock and the timing of their actions (transfer of funds on 30 May 2008 and an  
 10 attorney's first letter on June 3, 2008) indicates each knowingly lied to Plaintiff regarding what was  
 11 going to be done with Plaintiff's funds.

12  
 13 16. On or about May 30, 2008, Plaintiff gave VOGEL a check in the amount of \$60,000  
 14 and the parties signed an agreement regarding the sale, (hereafter "30 May Agreement") attached  
 15 hereto as Exhibit "2", and incorporated herein by this reference.

16 a) At this meeting, VOGEL repeated the following oral representation: VOGEL would  
 17 deliver Plaintiff's investment directly to EFS;

18 b) Based on his prior dealings with VOGEL, Plaintiff reasonably relied on VOGEL's  
 19 statements and representations.

20 c) VOGEL's representation that EFS was to receive the \$120,000 was false because  
 21 VOGEL instead delivered the funds to RITTER, not EFS.

22 d) Defendants' misrepresentation that EFS would receive Plaintiff's investment was  
 23 material in that Plaintiff would never have made his \$120,000 investment if he had known his funds  
 24 were to be used to sue EFS instead of investing in EFS.

25 e) Defendants' misrepresentation that EFS would receive the investment has directly  
 26 caused economic loss to Plaintiff because the funds taken from Plaintiff were not given to EFS, but  
 27 instead converted by Defendants' conspiracy to fund their litigation against EFS, which plaintiff knew  
 28 nothing about and which plaintiff would never have approved.

1           f)     Defendants' misrepresentation that EFS would receive the investment was connected to  
 2 a sale of a security, namely the payment of \$120,000 for one share of EFS stock from Defendants to  
 3 Plaintiff.

4           g)     Defendants' misrepresentation that EFS would receive the investment demonstrates a  
 5 wrongful state of mind because the timing of their actions (transfer of funds on 30 May 2008 and an  
 6 attorney's first letter on June 3, 2008) indicates each knowingly lied to Plaintiff regarding what was  
 7 going to done with Plaintiff's funds.

8       17.   On or about July 23, 2008 Plaintiff learned for the first time that neither VOGEL nor  
 9 RITTER owned stock in EFS; that his \$120,000 investment had not reached EFS; and, that on June 25,  
 10 2008 RITTER had filed litigation against EFS and its principal officers.

11      18.   That on or about August 6, 2008 VOGEL called Plaintiff and reported that everything  
 12 at EFS was going well.

13      19.   On or about August 15, 2008 Plaintiff called VOGEL, who informed Plaintiff that his  
 14 funds had been given to RITTER and assured Plaintiff that Plaintiff's investment was safe.

15      20.   On or about September 17, 2008, Plaintiff called VOGEL and requested that Plaintiff's  
 16 money be returned. VOGEL stated that he had sold shares similar to Plaintiff's to: 1) an unidentified  
 17 person residing in San Francisco, California; 2) an unidentified person residing in London, England;  
 18 and 3) an unidentified person residing in Belgium.

19      21.   Shortly after the call in paragraph 20 above, and on the same date, Plaintiff received a  
 20 conference call from VOGEL and RITTER, during which RITTER acknowledged to Plaintiff:

- 21           a)     that RITTER had received Plaintiff's \$120,000;
- 22           b)     that RITTER was using the funds for his "legal defense fund" to protect  
                   his financial interests in EFS;
- 23           c)     that Defendants should have informed Plaintiff regarding this change, but did  
                   not; and
- 24           d)     that Defendants were confident they would prevail in their litigation against  
                   EFS.

## LOSS

22. Despite making demand to defendants, Plaintiff has not received back the \$120,000 he believed he was investing in EFS;

23. Despite making demand to defendants, Plaintiff has not received the one share of common stock in EFS he believed he was purchasing;

24. Instead of Plaintiff receiving a share in a corporation, without his knowledge or consent, Defendants converted his funds into a war chest to further their interests by funding litigation against the corporation in which Plaintiff believed he was investing.

**SCIENTER**

25. RITTER and VOGEL acted intentionally and/or with reckless disregard for whether their statements were true or false in the misrepresentations alleged above and in their failure to disclose material facts for which they were under a duty to disclose. and/or that were necessary to make the other statements they had made, in light of the circumstances in which they were made, not misleading. Further, defendants' conduct constituted such extreme departure from standards of ordinary care, and was so obvious, that each must have been aware that he was intentionally misleading Plaintiff.

## VIOLATIONS ALLEGED

26. Violations alleged: By engaging in the above conduct, defendants, and each of them, violated the registration provisions of Section 12(a)(1) of the Securities Act of 1933 (“Securities Act”), Title 15, United States Code Sections 77a, et seq. RITTER and VOGEL, by engaging in the conduct alleged above, have violated the antifraud provisions of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Title 15, United States Code Section 78j(b), and Rule 10b-5 there under, 17 Code of Federal Regulations Section 240.10b-5.

**FIRST CLAIM FOR RELIEF**

**SECURITIES FRAUD UNDER SECTION 10(b), 1934 ACT**

27. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this Complaint.

28. Defendants, directly or indirectly, in the course of attempting to sell EFS stock to Plaintiff, used the mails (paper as well as electronic) and telephone and/or the means and instrumentalities of interstate commerce, including Internet mail receipt and transmission, and including the federal banking system.

29. In such sales, defendants, directly or indirectly, with scienter:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and omitted to state material facts  
order to make the statements made, in light of the circumstances under which they were  
leading; and,
- c. engaged in acts and practices which operated or would operate as a fraud or  
other persons.

30. Plaintiff relied on and was induced by defendants' conduct to give them \$120,000 to purchase a share EFS stock. The untrue statements and artifices damaged Plaintiff in the total amount of the investment, \$120,000, as the investment was converted by Defendants to their own use.

31. On account of such acts, defendants directly or indirectly violated 15 United States Code Section 78j(b) [Section 10(b) of the Securities Exchange Act of 1934] and Rule 10b-5 promulgated thereunder (17 Code of Federal Regulations Section 240.10b-5).

32. On account of such defendants' acts, such defendants are liable to Plaintiff. Wherefore, plaintiff requests relief as set forth in the prayer below.

1                   SECOND CLAIM FOR RELIEF

2                   OFFER AND SALE OF UNREGISTERED SECURITIES

3                   VIOLATIONS OF SECTION 12(a)(1) OF THE SECURITIES ACT

4         33. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this  
5 Complaint.

6         34. RITTER and VOGEL, by engaging in the conduct described above, directly or  
7 indirectly:

8                 a. Made use of means or instruments of transportation or communication in  
9 interstate commerce or of the mails to sell securities through the use of internet communications and  
10 the national banking system or otherwise;

11                 b. Carried or caused to be carried through the mails or in interstate commerce, by  
12 means or instruments of transportation, securities for the purpose of sale or for delivery after sale; or

13                 c. Made use of means or instruments of transportation or communication in  
14 interstate commerce or of the mails to offer to sell securities through the use of telephone and internet  
15 communications or otherwise.

16         35. No registration statement has been filed for any of the securities offered and sold or  
17 caused to be sold by defendants to plaintiff, nor were those offerings exempt from registration.

18         36. Defendants have violated Section 12(a)(1) of the Securities Act by the offer and sale of  
19 unregistered securities to plaintiff.

20         37. Plaintiff has been damaged in the amount of \$120,000.00 and at a minimum is entitled  
21 pursuant to Title 15, United States Code Section 771(a)(1) to receive the full value of the consideration  
22 he has paid, plus interest, from defendants.

23         38. By reason of the foregoing, Defendants RITTER and VOGEL violated Section 12(a)(1)  
24 of the Securities Act, Title 15, United States Code Sections 77a, *et seq.*

25         39. On account of such defendants' acts, such defendants are liable to plaintiff. Wherefore,  
26 plaintiff requests relief as set forth in the prayer below.

1                           THIRD CLAIM FOR RELIEF  
2                           FOR SALE OF SECURITIES IN VIOLATION OF  
3                           CALIFORNIA QUALIFICATION REQUIREMENT

4         40. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this  
5 Complaint.

6         41. On or about each of the alleged dates in 2008 in Alameda, California, defendants  
7 offered and sold to plaintiff ownership interests in EFS for the total price alleged hereinabove.

8         42. Each of these sales of interests in EFS was an issuer transaction in that defendants  
9 purveyed interests in EFS, that they did not own, to plaintiff and other unsuspecting members of the  
10 public. Defendants' intent and motive was to obtain plaintiff's funds and convert said funds for their  
11 own uses through the unlawful sales of unqualified, nonexempt securities. None of the defendants  
12 were licensed securities brokers or salesmen.

13         43. Each of these sales constituted an issuer transaction in that it was part of an offering of  
14 unqualified, nonexempt securities of EFS for the capitalization of EFS.

15         44. Each of these transactions was subject to qualification, was not exempt from  
16 qualification, and was not and to this date of this Complaint, has not been qualified as any permitted  
17 securities transaction with the California Commissioner of Corporations or with the Securities and  
18 Exchange Commission. Each of these transactions was unlawful under California Corporations Code  
19 Sections 25110 and 25130.

20         45. As a result of the above-described acts, under California Corporate Securities Law,  
21 defendants are liable to plaintiff who is entitled to, and hereby does, rescind the above-described  
22 purchases. Plaintiff, before entry of judgment, will tender to defendants all interests in EFS sold to  
23 plaintiff as purchased from defendants, and any income received thereon.

24         46. On account of such defendants' acts, such defendants are liable to plaintiff. Wherefore,  
25 plaintiff requests relief as set forth in the prayer below.

#### FOURTH CLAIM FOR RELIEF

MATERIAL MISREPRESENTATION IN SECURITIES TRANSACTION  
UNDER CALIFORNIA CORPORATE SECURITIES LAW

47. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this Complaint.

48. Defendants' sales of interests in EFS as alleged above were made by means of oral and written communications from the defendants, which omitted to state material facts necessary in order to make the statements made in those communications, in light of the circumstances under which they were made, not misleading, and which contained untrue statements of material fact. The communications from defendants were misleading and untrue as alleged hereinabove. Defendants RITTER and VOGEL were sellers in the transactions. Defendants RITTER and VOGEL with intent to induce plaintiff's reliance, materially misrepresented to Plaintiff that they owned EFS stock.

49. As a result of the material misrepresentation, plaintiff is entitled to rescind the above-described purchases and to damages under California Corporations Code Sections 25504 and 25504.1.

50. As a result of the above-described acts, under California Corporate Securities Law, defendants are liable to plaintiff, who is entitled to, and hereby does, rescind the above-described purchases. Plaintiff, before entry of judgment, will tender to defendants all interests in EFS sold to plaintiff, and any income received thereon.

51. On account of such defendants' acts, such defendants are liable to plaintiff. Wherefore, plaintiff requests relief as set forth in the prayer below.

## **FIFTH CLAIM FOR RELIEF**

## COMMON LAW FRAUD

52. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this Complaint.

53. In the course of the representations, statements, half-truths, partial disclosures, and omissions alleged hereinabove, defendants directly or indirectly made material representations to plaintiff which were false, and defendants directly or indirectly made material omissions to plaintiff which failed to provide material information to plaintiff.

54. Defendants knew that their material representations were false, and defendants knew that their material omissions would mislead plaintiff into thinking material matters were true when in fact such matters were false.

55. In making the material misrepresentations and material omissions alleged herein, defendants intended to deceive plaintiff and to induce plaintiff to invest in EFS and to induce plaintiff to continue investing in EFS.

56. Plaintiff was in fact deceived by the defendants' material misrepresentations and material omissions. Had plaintiff known the truth, plaintiff would not have invested in EFS.

57. Plaintiff has been damaged in the amounts of his purchase of the EFS stock.

58. In the commission of the acts herein, defendants intended to cause injury to plaintiff, knew that the conduct described herein would cause injury to plaintiff, and acted out of malice, fraud, and oppression as defined in Civil Code Section 3294. Such conduct was calculated to injure plaintiff, and plaintiff should recover, in addition to actual damages, exemplary damages to make an example of and to punish defendants.

59. On account of such defendants' acts, said defendants are liable to plaintiff. Wherefore, plaintiff requests relief as set forth in the prayer below.

## **SIXTH CLAIM FOR RELIEF**

## NEGLIGENCE MISREPRESENTATION

60. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this Complaint.

61. In the course of the representations, statements, half-truths, and partial disclosures alleged hereinabove, defendants directly or indirectly made positive material representations to plaintiff that were false.

62. Defendants had no reasonable grounds for believing their statements to plaintiff were true.

63. Plaintiff has been damaged in the amount of \$120,000.

64. In the commission of the acts herein, defendants intended to cause injury to plaintiff, knew that the conduct described herein would cause injury to plaintiff, and acted out of malice, fraud,

1 and oppression as defined in Civil Code Section 3294. Such conduct was calculated to injure plaintiff,  
 2 and plaintiff should recover, in addition to actual damages, exemplary damages to make an example of  
 3 and to punish defendants.

4 65. On account of such defendants' acts, such defendants are liable to plaintiff. Wherefore,  
 5 plaintiff requests relief as set forth in the prayer below.

6 SEVENTH CLAIM FOR RELIEF

7 CONVERSION OF PLAINTIFF'S MONEY

8 66. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this  
 9 Complaint.

10 67. By engaging in the conduct alleged, defendants converted plaintiff's assets for their  
 11 own use and benefit by using Plaintiff's funds to pay for Defendant's legal fees.

12 68. In the commission of the acts herein, defendants intended to cause injury to plaintiff,  
 13 knew that the conduct described herein would cause injury to plaintiff, and acted out of malice, fraud,  
 14 and oppression as defined in Civil Code Section 3294. Such conduct was calculated to injure plaintiff,  
 15 and plaintiff should recover, in addition to actual damages, exemplary damages to make an example of  
 16 and to punish defendants.

17 69. As a result of defendants' acts, plaintiff was damaged in the amount of \$120,000.

18 70. On account of such defendants' acts, such defendants are liable to plaintiff. Wherefore,  
 19 plaintiff requests relief as set forth in the prayer below.

20 EIGHTH CLAIM FOR RELIEF

21 INJUNCTIVE RELIEF

22 71. Plaintiff re-alleges and incorporates by reference paragraphs 1 through 26 of this  
 23 Complaint.

24 72. Plaintiff is entitled to extraordinary and equitable relief to prevent defendants from  
 25 selling more illegal securities to investors which sales will irreparably harm plaintiff in three distinct  
 26 ways: (a) by dilution of plaintiff's potential investment in EFS; (b) by creating corporate liability to  
 27 investors for omissions, concealments, and nondisclosures; and (c) by conducting unlawful resales of  
 28 shares of stock.

73. Defendants have already conducted at least four such "sales" and plaintiff is in imminent danger that defendants will continue to unlawfully sell EFS "shares" to the unsuspecting public.

74. Plaintiff's remedy at law is inadequate in that money damages cannot compensate plaintiff for the losses he will sustain, which will be great and irreparable, if defendants are not restrained and enjoined.

75. On account of said defendants' acts, said defendants are liable to plaintiff.

Wherefore, plaintiff requests relief as set forth in the prayer below.

## PRAYER

Wherefore, plaintiff prays for judgment against defendants and each of them as follows:

- (1) For Damages;
- (2) For such further and other relief as is just;
- (3) For exemplary damages;
- (4) For interest on all sums;
- (5) For equitable, extraordinary, and injunctive relief, including a temporary restraining order, preliminary injunction, and a permanent injunction preventing defendants from further unlawful sales of EFS shares;
- (6) For costs of suit.

**DATED:** September 29, 2008

By:

Steven P. Small

Attorney for Plaintiff MARK SHEREDY

1  
2                   DEMAND FOR JURY TRIAL

3                   Plaintiff hereby demands trial by jury on all claims for which trial by jury is possible.

4  
5                   **DATED:** September 29, 2008

6                   By:   
7                   Steven P. Small

8                   Attorney for Plaintiff MARK SHEREDY

**COPY****Memorandum of Understanding**

This **Memorandum Of Understanding** (this "MOU") is entered into as of February 21, 2008 between Eco-Fiber Solutions, a California corporation, (hereinafter, "Company"), and Terry L. Ritter (hereinafter, "Investor") with reference to the following:

Board Member Seats: 2 Seats - Permanent *out of five. RTR*

Business Consultant: Mr. Marc Vogel  
Monthly salary to be mutually acceptable

Employment Agreements: Company to prepare mutually acceptable employment contracts for all Company employees, including, but not limited to: salary, benefits, and Company stock options.

Worldwide Operations: Investor to establish: Eco-Fiber Solutions, International (EFSI)  
EFSI shall be authorized to distribute Company products outside of North America and to certain industries worldwide.  
Company shall receive 25% of net product sales.

Equity Ownership: 45% of Company stock

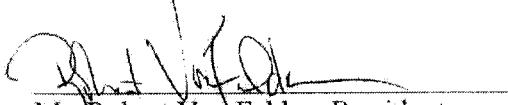
Total Investment: \$5,000,000 USD

Investment Terms: \$100,000 upon MOU execution  
  
Balance to be paid to Company within next 12 months on a mutually acceptable "use of funds" basis.

Stock Registration: Investor's stock shall be registered at Company's expense concurrently with first registration rights of any other Company stock or prior to Company's initial public offering.

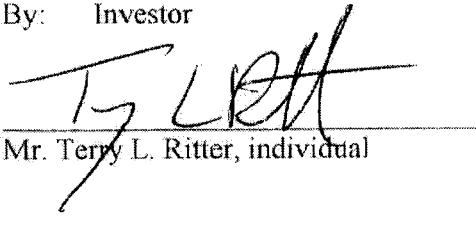
This MOU is understood, accepted, and binding upon all parties.

By: Eco-Fiber Solutions



Mr. Robert Von Felden, President

By: Investor



Mr. Terry L. Ritter, individual

*Ex 1  
Sherry v Ritter*

Loan/Investment Agreement between Mark Sheredy and Marc Vogel

May 30, 2008

Loan/Investment Amount: \$120,000 USD

Whereas Marc Vogel has 15% ownership in a company called Eco-Fiber, a new company. Verified by the Sign documents from himself, Terry Ritter and Shamim Ritter.

Whereas Eco-Fiber needs seed investment of \$120,000 USD. The funds will be used for the usual start-up costs associated to the business.

Whereas Mark Sheredy will invest the \$120,000 under the following auspices:

Whereas Marc Vogel will repay the \$120,000 with 12% interest after the first year to Mark Sheredy or at Mark Sheredy's option:

Mark Sheredy can exercise his option on 7.5% of Marc Vogel's 15% ownership in the company which equals one percent (1%) share in the US domestic company (Eco-Fiber usa) and or one percent (1%) of Eco-Fiber International, if the International Company is established as the holding company.

  
by \_\_\_\_\_  
Marc Vogel

  
by \_\_\_\_\_  
Mark Sheredy

Marc Vogel  
475 Chestnut St. #6  
San Francisco, Ca. 94133  
Tel: 415-576-9007

Ex 2  
Sheredy v Ritter